

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2008-416-E - ORDER NO. 2009-87
FEBRUARY 26, 2009

IN RE: Petition of South Carolina Electric & Gas)	ACCOUNTING ORDER
Company for an Order Authorizing the)	AUTHORIZING
Withdrawal of Certain Funds from its Storm)	WITHDRAWAL
Damage Reserve Fund to Offset Those Costs)	
Incurred in Connection with its Tree)	
Trimming and Vegetation Management)	
Programs for its Electric Transmission and)	
Distribution Systems.)	

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the Petition of South Carolina Electric & Gas Company (“SCE&G” or “Company”) pursuant to S.C. Code Ann. § 58-27-1540 (Supp. 2007) and 26 S.C. Code Ann. Regs. 103-825 (1976, as amended), seeking an accounting order for regulatory accounting purposes authorizing SCE&G to withdraw from its Commission-approved Storm Damage Reserve Fund certain funds to offset those incremental expenses incurred by the Company in 2008 and 2009 regarding its tree trimming and vegetation management programs for its electric transmission and distribution systems. The Company’s request for relief does not involve a change to any of SCE&G’s retail rates or prices, or require any change in any Commission rule, regulation or policy. In addition, the issuance of the requested accounting order will not prejudice the right of any party to address this issue in a subsequent general rate case proceeding. Accordingly, neither notice to the public at-large, nor a hearing was required regarding this Petition.

In its Petition, SCE&G has made the following representations to the Commission:

1. SCE&G is a corporation organized and existing under the laws of the State of South Carolina. Further, SCE&G is, in part, an electric utility engaged in the generation, transmission, distribution, and sale of electricity to the public for compensation. SCE&G's retail electric operations are subject to the jurisdiction of the Commission pursuant to the provisions of Chapter 27 of Title 58 of the South Carolina Code.

2. Corporate legal counsel for SCE&G in this proceeding are as follows:

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All correspondence and any other matters relative to this proceeding should be addressed to the Company's authorized representatives as stated hereinabove.

3. SCE&G operates an integrated electric utility system that serves approximately 649,000 customers in 24 counties covering nearly 16,000 square miles in central, southern and southwestern portions of South Carolina. SCE&G's service territory includes the metropolitan areas of Charleston, Columbia, Beaufort, and Aiken and many other smaller cities and towns, and rural areas in South Carolina.

4. On August 14, 2003, the largest blackout in the history of North America occurred in which an estimated 50 million people in eight northeastern states and Ontario, Canada lost electric power to their homes and businesses causing a financial loss estimated at \$6 billion. In response to the blackout, the United States-Canada Power System Outage Task Force (“Task Force”) conducted an investigation into the incident and concluded that the primary cause of this event was a failure to trim trees and maintain vegetative growth near and around electric power lines. Following the Task Force’s investigation, the North American Electric Reliability Council (“NERC”), focusing on electric transmission systems, issued a series of reliability standards aimed at preventing such occurrences in the future.

5. One such standard, which became effective in 2006, requires electric utilities, including SCE&G, to maintain a formal Transmission Vegetation Management Program (“TVMP”) concerning its transmission system. The purpose of this standard is to improve the reliability of electric transmission systems by preventing outages from vegetation located on transmission rights-of-way and minimizing outages from vegetation located adjacent to rights-of-way; maintain clearance between transmission lines and vegetation on and along transmission rights-of-way; and report vegetation-related outages of the transmission system. Failure to comply with and adhere to NERC’s transmission vegetation management standard can result in severe penalties to the offending electric utility.

6. In 2006, similar to its formal NERC transmission vegetation management program, SCE&G, on its own initiative, implemented a pilot Distribution Vegetation

Management Program (“DVMP”) focusing on tree trimming activities and vegetation management near and around the Company’s distribution lines. As part of its pilot DVMP, SCE&G evaluated each circuit on its distribution system based upon certain criteria. More specifically, the Company (i) assigned each circuit a reliability index, (ii) identified each circuit’s most recent tree trimming and vegetation management cycle, (iii) identified critical customers (*i.e.*, hospitals) using electric power on each circuit, and (iv) discussed vegetation management practices with the Company’s local operating managers who are responsible for overseeing the management of each circuit. Each circuit was evaluated and prioritized according to the line clearing criteria stated above.

7. In order to implement its DVMP, the Company issued requests for proposals offering vegetation management contractors the opportunity to submit bids on the tree trimming/vegetation management activities that SCE&G sought to perform. After evaluating the bids, SCE&G selected various contractors to perform the necessary tree trimming/vegetation management activities. The Company then assigned these contractors to specific geographical areas within each circuit and dispatched them to perform the necessary work. SCE&G assigned local operating personnel from the Company to monitor the activities of the contractors to ensure strict adherence to the DVMP. As work was performed under the DVMP, the management of SCE&G’s electric operations reviewed the pilot program’s results and expenses on a monthly basis.

8. Approximately one year after conducting the initial tree trimming and vegetation management on various circuits under the DVMP, SCE&G returned to the areas previously maintained and applied foliar herbicide which suppresses the sprouting

of unwanted vegetation such as volunteer gum, oak, and pine while simultaneously promoting the growth of native grasses on the Company's rights-of-way. SCE&G anticipates that the application of foliar herbicide will reduce future maintenance costs and extend tree trimming cycles.

9. Since implementation of the pilot DVMP as well as the TVMP, power outages in these areas due to weather related (*i.e.*, storms of all kinds) and vegetative events, such as a downed tree or vegetation growing into a line, have decreased significantly and thus, improved reliability of service in these areas. Furthermore, regular and consistent vegetation management under the DVMP and TVMP has allowed SCE&G to better predict and manage the future costs associated with the Company's tree trimming and vegetative management activities.

10. Based upon its successful pilot program, SCE&G should expand its DVMP to the other areas of its system. This, in turn, should lead to improved reliability across the system and improved tolerance to weather related events, such as ice storms, severe thunderstorms, tropical storms and hurricanes.

11. Therefore, in anticipation of expanding its DVMP and because the TVMP and DVMP are preventive maintenance and storm-related programs, SCE&G seeks authorization to withdraw from its Storm Damage Reserve Fund¹ up to a maximum of \$9,000,000 during the 2008-2009 time period to offset incremental expenses incurred in connection with the Company's distribution and transmission tree trimming and

¹ By Order No. 96-15 dated January 9, 1996, issued in Docket No. 95-1000-E, the Commission authorized SCE&G to establish a Storm Damage Reserve Fund. By Order No. 2007-680, dated October 1, 2007, issued in Docket No. 2007-335-E, the Commission authorized an increase in the cap of the Storm Damage Reserve Fund from \$50,000,000 to \$100,000,000. As of September 30, 2008, the Storm Damage Reserve Fund had a balance of \$50,067,044.

vegetation management programs. For purposes of this petition, incremental expenses are defined as those annual costs in excess of the level currently provided for in base rates (approximately \$13.2 million).

Based upon the foregoing representations, SCE&G has requested that the Commission issue an order granting the Company the authority to withdraw from its Storm Damage Reserve Fund up to a maximum of \$9,000,000 during the 2008-2009 time period to offset incremental expenses incurred in connection with the Company's distribution and transmission tree trimming and vegetation management programs.

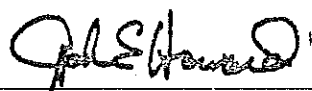
On December 8, 2008, the South Carolina Office of Regulatory Staff ("ORS") stated in correspondence filed with the Commission that it had no objection to the proposed accounting order, and further recommended that the Commission require the Company to file a mid-year report no later than August 15, 2009, which: (1) shows SCE&G's progress through June 30, 2009; (2) includes SCE&G's vegetation management plan; (3) identifies those circuits SCE&G has cleared; (4) shows cost per circuit, if possible; (5) includes before-and-after pictures; and (6) provides before-and-after data of outages, if available. The Commission finds that all of these requirements are reasonable and adopts them. In addition, the Commission would require the mid-year report to include (1) the balance in the Storm Damage Reserve Fund as of June 30, 2009; and (2) the amount withdrawn from the Storm Damage Reserve Fund relating to the Tree Trimming and Vegetation Management Program as of June 30, 2009. Finally, the Commission would also require that all of the information in the mid-year report be updated no later than December 1, 2009, as requested by ORS.

This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:


Elizabeth B. Fleming, Chairman

ATTEST:


John E. Howard, Vice Chairman
(SEAL)